

**REPORT OF THE AUDIT OF THE
UNION COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE UNION COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Union County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$637,526 from the beginning of the year, resulting in a cash surplus of \$9,258,992 as of June 30, 2001.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$1,730,000. Future collections of \$2,120,806 are needed to pay all bonded debt principal and interest.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Joe Jenkins, Union County Judge/Executive
Members of the Union County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Union County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Union County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Union County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Union County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Joe Jenkins, Union County Judge/Executive
Members of the Union County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2002 on our consideration of Union County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Union County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2002

UNION COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Larry Joe Jenkins	County Judge/Executive
James D. Austin	Magistrate
Joe Clements	Magistrate
Dennis Dossett	Magistrate
Bobby Veatch	Magistrate
Joe Wells	Magistrate

Other Elected Officials:

Brucie Kay Moore	County Attorney
Ed Dempsey	Jailer
Billy Steve Peak	County Clerk
Sue Beaven	Circuit Court Clerk
James R. Girten	Sheriff
Ben T. Waller	Property Valuation Administrator
Stephen Shouse	Coroner

Appointed Personnel:

Sandra R. Butts	County Treasurer
Vicki O'Nan	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

UNION COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$ 1,625,834	
Road and Bridge Fund:		
Cash	4,691,295	
Investments	900,000	
Jail Fund:		
Cash	11,058	
Local Government Economic Assistance Fund:		
Cash	1,530,980	
Payroll Revolving Account - Cash	<u>441</u>	\$ 8,759,608

Debt Service Fund Type

Public Properties Corporation Fund:		
Cash	319,466	
Investments	<u>180,359</u>	499,825

Other Resources

General Fund Type

Amounts to be Provided in Future Years for Kentucky	
Association of Counties Leasing Trust Agreement	\$ 106,000
Principal Payments (Note 4)	

Debt Service Fund Type

Amounts to be Provided in Future Years for Bond Principal		
Payments (Note 5)	<u>1,230,175</u>	<u>1,336,175</u>
Total Assets and Other Resources		<u>\$ 10,595,608</u>

The accompanying notes are an integral part of the financial statements.

UNION COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund - Kentucky Association Of Counties		
Leasing Trust Agreement Payments (Note 4)	\$	106,000
Payroll Revolving Account		
		<u>441</u>
	\$	106,441

Debt Service Fund Type

Public Properties Corporation Fund:		
Bonds Not Matured (Note 5)		1,730,000

Fund Balances

Unreserved:

General Fund Type

General Fund	\$	1,625,834	
Road and Bridge Fund		5,591,295	
Jail Fund		11,058	
Local Government Economic Assistance Fund		<u>1,530,980</u>	<u>8,759,167</u>
Total Liabilities and Fund Balances			<u>\$ 10,595,608</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

UNION COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,534,435	\$ 3,766,128	\$ 1,246,502	\$ 227,090
Transfers In	474,884	48,284		355,000
Kentucky Advance Revenue Program	3,144,100	3,041,700	102,400	
Total Cash Receipts	<u>\$ 10,153,419</u>	<u>\$ 6,856,112</u>	<u>\$ 1,348,902</u>	<u>\$ 582,090</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,723,793	\$ 2,831,213	\$ 1,409,517	\$ 596,875
Transfers Out	474,884	426,600	48,284	
Bonds:				
Principal Paid	70,000			
Interest Paid	103,106			
Miscellaneous Charges	10			
Kentucky Advance Revenue Program Repaid	3,144,100	3,041,700	102,400	
Total Cash Disbursements	<u>\$ 9,515,893</u>	<u>\$ 6,299,513</u>	<u>\$ 1,560,201</u>	<u>\$ 596,875</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 637,526	\$ 556,599	\$ (211,299)	\$ (14,785)
Cash Balance - July 1, 2000	<u>8,621,466</u>	<u>1,069,235</u>	<u>5,802,594</u>	<u>25,843</u>
			*	
Cash Balance - June 30, 2001	<u>\$ 9,258,992</u>	<u>\$ 1,625,834</u>	<u>\$ 5,591,295</u>	<u>\$ 11,058</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

UNION COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type		Debt Service Fund Type
Local Government Economic Assistance Fund	Grant Fund	Public Properties Corporation Fund
\$ 1,186,683	\$ 2,964	\$ 105,068 71,600
<u>\$ 1,186,683</u>	<u>\$ 2,964</u>	<u>\$ 176,668</u>
 \$ 883,224	 \$ 2,964	 \$
		70,000 103,106 10
<u>\$ 883,224</u>	<u>\$ 2,964</u>	<u>\$ 173,116</u>
\$ 303,459 1,227,521	\$ 0	\$ 3,552 496,273
		*
<u>\$ 1,530,980</u>	<u>\$ 0</u>	<u>\$ 499,825</u>

The accompanying notes are an integral part of the financial statements.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Union County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation as part of the reporting entity.

Union County Public Properties Corporation:

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC: legally entitled to the PPC's resources as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Union County's financial statements.

Additional - Union County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Union County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Union County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Union County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Grant Fund.

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Union County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	1	Category 2	3	Carrying Amount	Market Value
Repurchase Agreements	\$ 1,080,359	\$	\$	\$ 1,080,359	\$ 1,080,359
Totals	\$ 1,080,359	\$	\$	\$ 1,080,359	\$ 1,080,359

Note 4. Capital Leases

Health Department Building

On November 18, 1997, the Union County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust program. The original lease principal amount was \$160,000. For the fiscal year ending June 30, 2001, the interest rate is 4.6%. The purpose of the lease is to provide funds for financing the addition and renovation of the County Health Department. The termination date of the lease is January 20, 2006. The Union County Health Department is currently making the lease payments.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Capital Leases (Continued)

The remaining lease payment requirements are:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
2002	\$ 5,521	\$ 19,000
2003	4,428	20,000
2004	3,279	21,000
2005	2,073	22,000
2006	787	24,000
Totals	<u>\$ 16,088</u>	<u>\$ 106,000</u>

Note 5. Long-Term Debt

The Union County Public Properties Corporation issued Series 1995 1st Mortgage Revenue Bonds of \$2,040,000 on March 1, 1995 to fund the construction of the courthouse annex building. On March 1, 1995, the Union County Public Properties Corporation entered into a lease agreement with the Union County Fiscal Court. The Union County Fiscal Court is required to make lease payments for 20 years in an amount equal to the bond principal and interest debt service requirements. On March 1, 1995, the Union County Fiscal Court entered into a Use and Sublease agreement with the Administrative Office of the Courts (AOC) for the use of approximately 68.81% of the court annex building to assist in funding the debt service requirements. Remaining debt service requirements are:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
2002	\$ 99,028	\$ 75,000
2003	94,809	75,000
2004	90,450	80,000
2005	85,809	85,000
2006	80,888	90,000
2007-2011	316,688	560,000
2012-2016	122,959	765,000
Totals	<u>\$ 890,631</u>	<u>\$ 1,730,000</u>

Note 6. Ambulance Service Contract

Union County is currently operating under a lease agreement with the Union County Methodist Hospital concerning ambulance service for Union County including garage facilities. The contract states the County is liable for monthly deficits of the ambulance service. The contract provides no maximum expense for which the county is liable. During the fiscal year ended June 30, 2001 the County paid \$120,285 to the Union County Methodist Hospital for ambulance support. The County also paid \$5,769 directly to vendors for program support of the ambulance service.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Subsequent Event

On August 14, 2001, the County entered into a capital lease project for the purpose of funding the renovation of the County's courthouse. The lease amount is \$1,335,700 to be repaid over 5 years at an interest rate of 4.0%. The final payment is scheduled for August 20, 2006.

Note 8. Insurance

For the fiscal year ended June 30, 2001, Union County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Union County Jail Canteen Fund had income of \$44,527, less cost of goods sold of \$40,960, leaving net income at \$3,567 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 10. Related Party Transaction

The Union County Fiscal Court entered into a related party transaction when Edward O'Nan was hired to act as project manager for the last phase of the Dr. John A. Arnold Area and Convention Center. Edward O'Nan is the husband of Vicki O'Nan, County Finance Officer. The Fiscal Court paid Mr. O'Nan \$15,000 for his services.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

UNION COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 6,339,568	\$ 3,766,128	\$ (2,573,440)
Road and Bridge Fund	1,262,790	1,246,502	(16,288)
Jail Fund	597,494	227,090	(370,404)
Local Government Economic Assistance Fund	832,838	1,186,683	353,845
Grant Fund	<u>6,043</u>	<u>2,964</u>	<u>(3,079)</u>
Totals	<u>\$ 9,038,733</u>	<u>\$ 6,429,367</u>	<u>\$ (2,609,366)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 9,038,733
Add: Budgeted Prior Year Surplus	2,131,314
Less: Other Financing Uses	<u>(3,215,700)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,954,347</u>

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SCHEDULE OF OPERATING REVENUE

UNION COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

GOVERNMENTAL FUND TYPES

<u>Revenue Categories</u>	Totals (Memorandum Only)	General Fund Type	Debt Service Fund
Taxes	\$ 653,967	\$ 653,967	\$
In Lieu Tax Payments	75,240	75,240	
Excess Fees	192,921	192,921	
Licenses and Permits	4,576	4,576	
Intergovernmental Revenues	4,651,191	4,561,791	89,400
Charges for Services	280,098	280,098	
Miscellaneous Revenues	108,073	108,073	
Interest Earned	568,329	552,701	15,628
Total Operating Revenue	<u>\$ 6,534,395</u>	<u>\$ 6,429,367</u>	<u>\$ 105,028</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

UNION COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,397,669	\$ 938,812	\$ 458,857
Protection to Persons and Property	853,369	659,519	193,850
General Health and Sanitation	155,183	134,317	20,866
Social Services	145,561	124,431	21,130
Recreation and Culture	1,449,711	338,506	1,111,205
Roads	1,680,477	1,319,422	361,055
Bus Services	85,420	85,420	
Capital Projects	1,485,466	1,453,267	32,199
Administration	701,491	670,099	31,392
Total Operating Budget - General Fund Type	\$ 7,954,347	\$ 5,723,793	\$ 2,230,554
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	3,144,100	3,144,100	
Transfers to Public Property			
Corporation Fund	71,600	71,600	
TOTAL BUDGET - GENERAL FUND TYPE	\$ 11,170,047	\$ 8,939,493	\$ 2,230,554

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Joe Jenkins, Union County Judge/Executive
Members of the Union County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Union County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2002

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

UNION COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001


CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

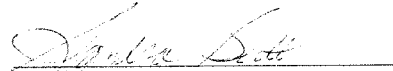
UNION COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Union County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

